



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

m/001/027

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August 5, 2003

William R. Wilson, President
Basin Perlite Company
2160 Republic Plaza-370 17th Street
Denver, Colorado 80202

Dear Mr. Wilson:

The Division has reviewed your proposed bond replacement as described in your letter of July 17, 2003. This proposal is to replace the Kemper bond of \$133,600 with a 12-year pay-in of \$5,000 per year, coupled with yearly on the ground reclamation off setting the principal of the bond by \$5,000 per year. We are unable to accept this proposal since the pay-in amount is too small per year and the 12-year time frame is too protracted.

As a counter proposal to Basin Perlite's the Division would suggest pay-in to an escrow fund over a 4-year period. This would be approximately \$33,400 per year. In combination with this pay-in Basin Perlite would need to approach the Board with a request for a diminishing contract over 4 years to perform reclamation of this site. Such a request requires the disclosure of your firm financials. It would then be a joint decision by the Board to accept a 4-year contract, and by the Division to accept your escrow fund amounts.

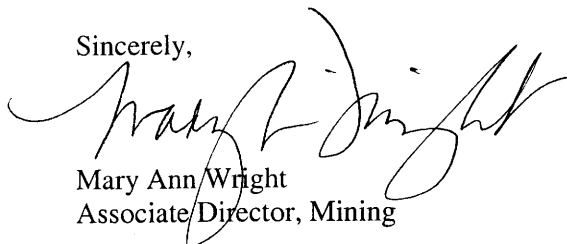
For further explanation, please see the table below:

	Escrow Amounts	Board Contract	Escrow Account
Initial Payment	\$33,400	100,200	\$33,400
Year 2	33,400	66,800	66,800
Year 3	33,400	33,400	100,200
Year 4	33,400	-0-	133,600
Total	\$133,600	-0-	\$133,600

We have had success with such an arrangement with other mining companies and would welcome a further discussion of the details.

Please call me at (801) 538-5306 or e-mail me maryannwright@utah.gov

Sincerely,


Mary Ann Wright
Associate Director, Mining

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